



February 16, 2005

## HOUSE BILL No. 1718

DIGEST OF HB 1718 (Updated February 10, 2005 3:39 pm - DI 73)

**Citations Affected:** IC 6-1.1; IC 6-3.1; IC 36-7; noncode.

**Synopsis:** Residential redevelopment. Authorizes the designation of residential redevelopment areas in Indianapolis and second class cities. Provides for the acquisition of real property subject to a tax sale for purposes of residential redevelopment. Provides an assessed valuation deduction for the rehabilitation or redevelopment of residential property in a residential redevelopment area. Provides an income tax credit for sales taxes paid on building materials used to construct or rehabilitate residential property in a residential redevelopment area. Provides an income tax credit for the purchase of a newly constructed or rehabilitated property used as a primary residence in a residential redevelopment area.

**Effective:** July 1, 2005.

**Mahern, Buell**

January 25, 2005, read first time and referred to Committee on Local Government.  
February 15, 2005, reported — Do Pass.

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HB 1718—LS 7728/DI 92+



February 16, 2005

First Regular Session 114th General Assembly (2005)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2004 Regular Session of the General Assembly.

## HOUSE BILL No. 1718

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 6-1.1-12.4 IS ADDED TO THE INDIANA CODE  
2 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE  
3 JULY 1, 2005]:

4 **Chapter 12.4. Deduction for Redevelopment or Rehabilitation**  
5 **of Real Property in a Residential Redevelopment Area**

6 **Sec. 1. This chapter applies to:**

- 7 (1) a consolidated city; and  
8 (2) a second class city that has established a redevelopment  
9 area under IC 36-7-17.5.

10 **Sec. 2. As used in this chapter, "city" means:**

- 11 (1) a consolidated city; or  
12 (2) a second class city.

13 **Sec. 3. As used in this chapter, "commission" refers to:**

- 14 (1) the metropolitan development commission in a  
15 consolidated city; or  
16 (2) a redevelopment commission in a second class city.

17 **Sec. 4. As used in this chapter, "property" means a residential**

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1 building or structure assessed as real property under IC 6-1.1-4.  
 2 The term does not include land.

3 Sec. 5. As used in this chapter, "redevelopment" means the  
 4 construction of a new residential structure in a residential  
 5 redevelopment area on:

- 6 (1) unimproved land; or
- 7 (2) land on which a structure is demolished to allow for the  
 8 construction of the new residential structure.

9 Sec. 6. As used in this chapter, "rehabilitation" means the  
 10 remodeling, repair, or betterment of residential property in any  
 11 manner or any enlargement or extension of property in which  
 12 depreciable rehabilitation expenditures of at least twenty-five  
 13 thousand dollars (\$25,000) are incurred.

14 Sec. 7. As used in this chapter, "residential redevelopment area"  
 15 means an area established under IC 36-7-17.5.

16 Sec. 8. (a) If a commission has:

- 17 (1) established a residential redevelopment area; and
- 18 (2) included a property tax deduction as an incentive available  
 19 in the residential redevelopment area under a redevelopment  
 20 plan adopted under IC 36-7-17.5-9;

21 the county auditor shall deduct the amount determined under  
 22 subsection (b) from the assessed value of a taxpayer's property that  
 23 is located in the residential redevelopment area and has been  
 24 redeveloped or rehabilitated.

25 (b) Subject to subsection (d), the amount deducted from the  
 26 assessed value of the taxpayer's property under subsection (a) is  
 27 equal to the product of:

- 28 (1) the increase in the property's assessed value resulting from  
 29 the rehabilitation or redevelopment of the property;  
 30 multiplied by
- 31 (2) the applicable percentage set forth in subsection (c).

32 (c) The percentage to be applied under subsection (b)(2) is as  
 33 follows:

- 34 (1) One hundred percent (100%) for the first three (3) years  
 35 that the taxpayer claims a deduction for a particular property  
 36 under this section.
- 37 (2) Fifty percent (50%) for the fourth through sixth years that  
 38 the taxpayer claims a deduction for a particular property  
 39 under this section.
- 40 (3) Forty percent (40%) for the seventh year that the taxpayer  
 41 claims a deduction for a particular property under this  
 42 section.

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(4) Thirty percent (30%) for the eighth year that the taxpayer claims a deduction for a particular property under this section.

(5) Twenty percent (20%) for the ninth year that the taxpayer claims a deduction for a particular property under this section.

(6) Ten percent (10%) for the tenth year that the taxpayer claims a deduction for a particular property under this section.

(d) The amount of the deduction determined under subsection (b) shall be adjusted:

(1) to reflect the percentage increase or decrease in the property's assessed valuation that resulted from a general reassessment of real property occurring within the period of the deduction; or

(2) to reflect the percentage decrease in the property's assessed valuation that resulted from a successful appeal of an assessment of the property occurring within the period of the deduction.

(e) The department of local government finance shall adopt rules under IC 4-22-2 to implement the adjustments required under subsection (d).

(f) A deduction provided under this section terminates if the property ceases to be used as residential property.

(g) The county auditor shall continue to make the assessed value deduction provided under this section after the property is transferred to another owner as long as the property is used as residential property and the deduction period described in subsection (c) has not expired.

**Sec. 9.** A property owner may not receive a deduction under this chapter for repairs or improvements to real property if the property owner receives a deduction under either IC 6-1.1-12-18 or IC 6-1.1-12-22 for those same repairs or improvements.

**Sec. 10.** (a) For properties located within a residential redevelopment area, the township assessor shall send a notice of assessment to the commission at the same time the township assessor sends a notice of assessment to the taxpayer under IC 6-1.1-4-22.

(b) Not more than forty-five (45) days after receiving a notice of assessment under subsection (a), the commission shall inform the county auditor of the amount determined under section 8(b) of this chapter.

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SECTION 2. IC 6-1.1-24-1.5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 1.5. (a) This section applies to:

- (1) a county having a consolidated city; **and**
- (2) **a county having a second class city that has established a residential redevelopment area under IC 36-7-17.5.**

(b) As used in this section, "commission" means:

- (1) the metropolitan development commission **in a county having a consolidated city; or**
- (2) **a redevelopment commission that has established a residential redevelopment area under IC 36-7-17.5.**

(c) **The commission** shall designate the real property on the list prepared under ~~section 4.5(b)~~ **section 4.5(c)** of this chapter that is eligible for listing on the list prepared under ~~subsection (d)~~; **subsection (e).**

~~(c)~~ **(d)** The commission may designate real property for inclusion on the list if the commission finds that the real property:

- (1) is an unsafe premises as determined under ~~(IC 36-7-9)~~ **IC 36-7-9** and is subject to:

- (A) an order issued under IC 36-7-9; ~~or~~
- (B) a notice of violation issued by the county's health and hospital corporation under IC 16-22-8 **in a county having a consolidated city; or**
- (C) **a notice of violation issued by the county's health department in a county described in subsection (a)(2).**

- (2) is not being used as a residence or for a business enterprise; and
- (3) is suitable for rehabilitation or development that will benefit or serve low or moderate income families.

~~(d)~~ **(e)** The commission shall prepare a list of properties designated under ~~subsection (b)~~ **subsection (c)** and certify the list to the county auditor ~~no not~~ later than sixty-one (61) days prior to the earliest date on which application for judgment and order for sale may be made.

~~(e)~~ **(f)** Upon receiving the list described in ~~subsection (d)~~; **subsection (e)**, the county auditor shall:

- (1) prepare a list of the properties certified by the commission; and
- (2) delete any property described in that list from the delinquent tax list prepared under section 1 of this chapter.

~~(f)~~ **(g)** If the county auditor receives an owner's affidavit under section 4.1 of this chapter, the auditor shall, upon determining that the information contained in the affidavit is correct, remove the property

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from the list prepared under ~~subsection (e)~~ **subsection (f)** and restore the property to the list prepared under section 1 of this chapter.

SECTION 3. IC 6-1.1-24-2.2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 2.2. (a) This section applies to:

- (1) a county having a consolidated city; **and**
- (2) **a county having a second class city that has established a residential redevelopment area under IC 36-7-17.5.**

(b) Whenever a notice required under section 2 of this chapter includes real property on the list prepared under ~~section 1.5(e)~~ **section 1.5(f)** of this chapter, the notice must also contain a statement that:

- (1) the property is on the alternate list prepared under ~~section 1.5(e)~~ **section 1.5(f)** of this chapter;
- (2) the owner of the property may file an affidavit with the county auditor no later than twenty (20) days following the date of the notice indicating that the residential structure located on the property is:

(A) habitable under state law and any ordinance of the political subdivision where the property is located; and

(B) has been occupied as a permanent residence for the six (6) month period preceding the date of the notice;

(3) if the auditor determines that the statements made in the affidavit are correct, the auditor will remove the property from the list prepared under ~~section 1.5(e)~~ **section 1.5(f)** of this chapter and restore the parcel to the delinquent tax list prepared under section 1 of this chapter;

(4) if the property is not redeemed within one hundred twenty (120) days after the date of sale the county auditor shall execute and deliver a deed for the property to the purchaser or purchaser's assignee; and

(5) if the property is offered for sale and a bid is not received for at least the amount required under section 5 of this chapter, the county auditor may execute and deliver a deed for the property to:

**(A) if the property is under the jurisdiction of a purchasing agency under IC 36-7-17, the purchasing agency; under** ~~IC 36-7-17,~~

**(B) if the property is in an area designated as a residential redevelopment area under IC 36-7-17.5 by the metropolitan development commission, the metropolitan development commission; or**

**(C) if the property is in an area designated as a residential redevelopment area under IC 36-7-17.5 by a**

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1            **redevelopment commission, the redevelopment**  
 2            **commission;**  
 3            subject to IC 6-1.1-25.

4            SECTION 4. IC 6-1.1-24-4 IS AMENDED TO READ AS  
 5            FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 4. (a) Not less than  
 6            twenty-one (21) days before the earliest date on which the application  
 7            for judgment and order for sale of real property eligible for sale may be  
 8            made, the county auditor shall send a notice of the sale by certified  
 9            mail to:

- 10            (1) the owner of record of real property with a single owner; or  
 11            (2) to at least one (1) of the owners of real property with multiple  
 12            owners;

13            at the last address of the owner for the property as indicated in the  
 14            records of the county auditor. The county auditor shall prepare the  
 15            notice in the form prescribed by the state board of accounts. The notice  
 16            must set forth the key number, if any, of the real property and a street  
 17            address, if any, or other common description of the property other than  
 18            a legal description. The notice must include the statement set forth in  
 19            section 2(a)(4) of this chapter. The county auditor must present proof  
 20            of this mailing to the court along with the application for judgment and  
 21            order for sale. Failure by an owner to receive or accept the notice  
 22            required by this section does not affect the validity of the judgment and  
 23            order. The owner of real property shall notify the county auditor of the  
 24            owner's correct address. The notice required under this section is  
 25            considered sufficient if the notice is mailed to the address required by  
 26            this section.

27            (b) This subsection applies to a county having a consolidated city.  
 28            In addition to the notice required under subsection (a) for real property  
 29            on the list prepared under ~~section 1.5(c)~~ **section 1.5(f)** of this chapter,  
 30            the county auditor shall prepare and mail the notice required under  
 31            section 2.2 of this chapter no later than August 15 in the year in which  
 32            the property is to be sold under this chapter.

33            (c) On or before the day of sale, the county auditor shall list, on the  
 34            tax sale record required by IC 6-1.1-25-8, all properties that will be  
 35            offered for sale.

36            SECTION 5. IC 6-1.1-24-4.1 IS AMENDED TO READ AS  
 37            FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 4.1. (a) This section  
 38            applies to:

- 39            (1) a county having a consolidated city; **and**  
 40            (2) **a county having a second class city that has established a**  
 41            **residential redevelopment area under IC 36-7-17.5.**

42            (b) The owner of real property placed on the list prepared by the

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county auditor under ~~section 1.5(e)~~ **section 1.5(f)** of this chapter may file an affidavit with the county auditor no later than twenty (20) days after the date of the notice. The affidavit must state under affirmation that the residential structure located on the property:

(1) is habitable under state law and any ordinance of the political subdivision where the property is located; and

(2) has been occupied as a permanent residence for the six (6) month period preceding receipt of the notice.

(c) The county auditor may conduct a hearing to determine the accuracy of the statements made in the affidavit.

(d) If the county auditor determines that the statements made in the affidavit filed under subsection (b) are correct, the auditor shall remove the property from the list prepared under ~~section 1.5(e)~~ **section 1.5(f)** of this chapter and restore the property to the delinquent tax list prepared under section 1 of this chapter.

SECTION 6. IC 6-1.1-24-4.5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 4.5. **(a) As used in this section, "commission" means:**

**(1) the metropolitan development commission in a county having a consolidated city; or**

**(2) a redevelopment commission that has established a residential redevelopment area under IC 36-7-17.5.**

~~(a)~~ **(b)** The county auditor shall also provide those agencies under IC 36-7-17, in that county, with a list of tracts or items of real property on which one (1) or more installments of taxes is delinquent by June 15 of the year following the date the delinquency occurred.

~~(b)~~ **(c)** This subsection applies to ~~a~~ **the county auditor of a:**

**(1) county having a consolidated city; and**

**(2) county having a second class city that has established a residential redevelopment area under IC 36-7-17.5.**

The county auditor shall prepare a list of tracts or items of real properties for which at least one (1) installment of taxes is delinquent at least ten (10) months. The auditor shall submit a copy of this list to the ~~metropolitan development~~ commission no later than one hundred six (106) days prior to the date on which application for judgment and order for sale is made.

SECTION 7. IC 6-1.1-24-6.5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 6.5. (a) This section applies to:

**(1) a county having a consolidated city; and**

**(2) a county having a second class city that has established a residential redevelopment area under IC 36-7-17.5.**

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(b) As used in this section, "commission" means:

(1) the metropolitan development commission in a county having a consolidated city; or

(2) a redevelopment commission that has established a residential redevelopment area under IC 36-7-17.5.

~~(b)~~ (c) Whenever real property on the list prepared under section 1.5 of this chapter:

(1) is offered for sale under this chapter; and

(2) does not receive a bid for at least the amount required under section 5 of this chapter;

the auditor shall notify the metropolitan development commission that the real property has been offered for sale under this chapter and that an adequate bid has not been received.

~~(c)~~ (d) This subsection applies only to a county having a consolidated city. The metropolitan development commission shall, within a reasonable time after receiving notice under subsection ~~(b)~~; subsection (c), identify any property described under subsection ~~(b)~~ subsection (c) that the metropolitan development commission desires to acquire for urban homesteading under IC 36-7-17, ~~or~~ redevelopment purposes under IC 36-7-15.1, and redevelopment or rehabilitation purposes under IC 36-7-17.5. The metropolitan development commission shall then provide the county auditor with a list of the properties identified under this subsection.

(e) This subsection applies only to a county described in subsection (a)(2). The redevelopment commission shall, within a reasonable time after receiving notice under subsection (c), identify any property described under subsection (c) that the redevelopment commission desires to acquire for redevelopment purposes under IC 36-7-17.5. The redevelopment commission shall then provide the county auditor with a list of the properties identified under this subsection.

~~(d)~~ (f) The appropriate county auditor shall execute and deliver a deed for any property identified under subsection ~~(c)~~ subsection (d) or (e) to the metropolitan development appropriate commission, subject to IC 6-1.1-25. Properties identified under subsection ~~(c)~~ subsection (d) or (e) but not acquired by the metropolitan development appropriate commission shall be restored to the delinquent list prepared under section 1 of this chapter.

~~(e)~~ (g) The county acquires a lien under section 6 of this chapter for any property that is:

(1) not identified under subsection ~~(c)~~; subsection (d) or (e); and

(2) offered for sale under this chapter for two (2) consecutive

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sales.

~~(f)~~ **(h)** The metropolitan development commission may not pay for any property acquired under ~~subsection (d)~~: **subsection (f)**. However, a taxing unit having an interest in the taxes on the real property shall be credited with the full amount of the delinquent tax due to that unit.

SECTION 8. IC 6-1.1-24-6.7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 6.7. (a) After each tax sale conducted under this chapter, the county auditor shall prepare and deliver to the county commissioners a list of all properties:

(1) that have been offered for sale in two (2) consecutive tax sales;

(2) that have not received a bid for at least the amount required under section 5 of this chapter;

(3) that are not subject to the provisions of section 6.5 of this chapter;

**(4) that are not located in a residential redevelopment area designated under IC 36-7-17.5;**

~~(4)~~ **(5)** on which the county has acquired a lien under section 6 of this chapter; and

~~(5)~~ **(6)** for which the county is eligible to take title.

(b) The county commissioners shall:

(1) by resolution, identify the property described under subsection

(a) that the county commissioners desire to transfer to a nonprofit corporation for use for the public good; and

(2) set a date, time, and place for a public hearing to consider the transfer of the property to a nonprofit corporation.

(c) Notice of the list prepared under subsection (b) and the date, time, and place for the hearing on the proposed transfer of the property on the list shall be published in accordance with IC 5-3-1. The notice must include a description of the property by:

(1) legal description; and

(2) parcel number or street address, or both.

The notice must specify that the county commissioners will accept applications submitted by nonprofit corporations as provided in subsection (f) and hear any opposition to a proposed transfer.

(d) After the hearing set under subsection (b), the county commissioners shall by resolution make a final determination concerning:

(1) the properties that are to be transferred to a nonprofit corporation;

(2) the nonprofit corporation to which each property is to be transferred; and

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(3) the terms and conditions of the transfer.

(e) This subsection applies only to a county having a consolidated city. The resolution of the county commissioners prepared under subsection (d) shall be forwarded to the county executive for approval. The county executive may remove any properties from the list of properties to be transferred that is prepared under subsection (d). The final list of properties to be transferred to nonprofit corporations shall be approved by the county executive and returned to the county commissioners.

(f) To be eligible to receive property under this section, a nonprofit corporation must file an application with the county commissioners. The application must state the property that the corporation desires to acquire, the use to be made of the property, and the time period anticipated for implementation of the use. The application must be accompanied by documentation verifying the nonprofit status of the corporation and be signed by an officer of the corporation. If more than one (1) application for a single property is filed, the county commissioners shall determine which application is to be accepted based on the benefit to be provided to the public and the neighborhood and the suitability of the stated use for the property and the surrounding area.

(g) After the hearing set under subsection (b) and the final determination of properties to be transferred under subsection (d) or (e), whichever is applicable, the county commissioners, on behalf of the county, shall cause all delinquent taxes, special assessments, penalties, interest, and costs of sale to be removed from the tax duplicate and the county auditor to prepare a deed transferring the property to the nonprofit corporation. The deed shall provide for:

- (1) the use to be made of the property;
- (2) the time within which the use must be implemented and maintained;
- (3) any other ~~term~~ **terms** and conditions that are established by the county commissioners; and
- (4) the reversion of the property to the county if the grantee nonprofit corporation fails to comply with the terms and conditions.

If the grantee nonprofit corporation fails to comply with the terms and conditions of the transfer and title to the property reverts to the county, the property may be retained by the county or disposed of under any of the provisions of this chapter. ~~or IC 6-1.1-24, or both.~~

SECTION 9. IC 6-1.1-24-6.8 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS

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[EFFECTIVE JULY 1, 2005]: Sec. 6.8. (a) This section applies to:

- (1) a county having a consolidated city; and
- (2) a county having a second class city that has established a residential redevelopment area under IC 36-7-17.5.

(b) As used in this section, "commission" means:

- (1) the metropolitan development commission in a county having a consolidated city; or
- (2) a redevelopment commission that has established a residential redevelopment area under IC 36-7-17.5.

(c) After each tax sale conducted under this chapter, the county auditor shall prepare and deliver to the commission a list of all properties within a residential redevelopment area in the county:

- (1) that have been offered for sale in two (2) consecutive tax sales;
- (2) that have not received a bid for at least the amount required under section 5 of this chapter;
- (3) that are not subject to section 6.5 of this chapter;
- (4) on which the county has acquired a lien under section 6 of this chapter; and
- (5) for which the county is eligible to take title.

(d) The commission shall:

- (1) by resolution, identify the property described under subsection (c) that the commission desires to transfer to an eligible entity as described under subsection (g) for the public good; and
- (2) set a date, time, and place for a public hearing to consider the transfer of the property to an eligible entity under subsection (g).

(e) Notice of the list prepared under subsection (d) and the date, time, and place for the hearing on the proposed transfer of property on the list shall be published in accordance with IC 5-3-1. The notice must include a description of the property by:

- (1) legal description; and
- (2) either:
  - (A) parcel number; or
  - (B) street address.

The notice must specify that the commission will accept applications submitted by eligible entities under subsection (g) that pledge to develop the property in accordance with a residential redevelopment plan under IC 36-7-17.5-9 and hear any opposition to a proposed transfer.

(f) After the hearing set under subsection (d), the commission

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shall by resolution make a final determination concerning:

- (1) the properties that are to be transferred to an eligible entity under subsection (g);
- (2) the eligible entity under subsection (g) to which each property is transferred; and
- (3) the terms and conditions of the transfer.

(g) To be an eligible entity that may receive property under this section, an entity must file an application with the commission. The application must identify:

- (1) the property that the entity desires to acquire;
- (2) the use to be made of the property that is in accordance with the residential redevelopment plan under IC 36-7-17.5-9; and
- (3) the period anticipated for implementation of the use identified under subdivision (2).

The application must be accompanied by documentation of the financial status of the entity, the relevant experience of the entity in developing similar property, and any other information required by the commission. The application must be signed by an individual authorized to sign for the entity. If more than one (1) application for a single property is filed, the commission shall determine which application is in the best interest of the public and the neighborhood. In making the determination, the commission shall consider the suitability of the use of the property proposed in each application for the property and the surrounding area.

(h) After the hearing set under subsection (d) and the final determination of properties to be transferred under subsection (f), the county commissioners (or in a consolidated city, the city-county council), on behalf of the county, shall cause all delinquent taxes, special assessments, penalties, interest, and costs of sale to be removed from the tax duplicate and the county auditor to prepare a deed transferring the property to the eligible entity. The deed must provide for:

- (1) the use to be made of the property;
- (2) the time within which the use must be implemented and maintained;
- (3) any other terms and conditions that are established by the commission; and
- (4) the reversion of the property to the commission if the grantee eligible entity fails to comply with the terms and conditions.

If the grantee eligible entity fails to comply with the terms and

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1 **conditions of the transfer and title to the property reverts to the**  
 2 **commission, the property may be retained by the county or**  
 3 **disposed of under this chapter.**

4 SECTION 10. IC 6-1.1-25-7.5 IS AMENDED TO READ AS  
 5 FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 7.5. (a) This section  
 6 applies to:

- 7 (1) a county having a consolidated city; and  
 8 (2) a county having a second class city that has established a  
 9 residential redevelopment area under IC 36-7-17.5.

10 (b) As used in this section, "commission" means:

- 11 (1) the metropolitan development commission in a county  
 12 having a consolidated city; or  
 13 (2) a redevelopment commission that has established a  
 14 residential redevelopment area under IC 36-7-17.5.

15 ~~(b)~~ (c) The county auditor shall provide the metropolitan  
 16 development commission with a list of real property:

- 17 (1) included on the list prepared under IC 6-1.1-24-1.5;  
 18 (2) for which a certificate of sale has been issued; and  
 19 (3) for which the holder of the certificate has not requested the  
 20 county auditor to execute and deliver a deed.

21 ~~(c)~~ (d) **This subsection applies to a county having a consolidated**  
 22 **city.** The metropolitan development commission shall, within a  
 23 reasonable time after receiving a list under ~~subsection (b)~~, **subsection**  
 24 **(c),** identify any property described under ~~subsection (b)~~ **subsection (c)**  
 25 that the metropolitan development commission desires to acquire for  
 26 urban homesteading under IC 36-7-17, ~~or~~ redevelopment purposes  
 27 under IC 36-7-15.1, **and redevelopment or rehabilitation purposes**  
 28 **under IC 36-7-17.5.** The metropolitan development commission shall  
 29 then provide the county auditor with a list of the properties identified  
 30 under this subsection.

31 (e) **This subsection applies only to a county described in**  
 32 **subsection (a)(2). The redevelopment commission shall, within a**  
 33 **reasonable time after receiving notice under subsection (c), identify**  
 34 **any property described under subsection (c) that the**  
 35 **redevelopment commission desires to acquire for redevelopment**  
 36 **purposes under IC 36-7-17.5. The redevelopment commission shall**  
 37 **provide the county auditor with a list of the properties identified**  
 38 **under this subsection.**

39 ~~(d)~~ (f) The **appropriate** county auditor shall execute and deliver a  
 40 deed for any property identified under ~~subsection (c)~~ **subsection (d) or**  
 41 **(e) to the metropolitan development appropriate** commission.

42 ~~(e)~~ (g) The county auditor shall execute and deliver a deed to the

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county for any property:

(1) included in the notice prepared under ~~subsection (b);~~  
**subsection (c);** and

(2) not identified under ~~subsection (c);~~ **subsection (d) or (e).**

~~(f) The metropolitan development (h)~~ A commission and the county may not pay for any property acquired under ~~subsection (d)~~ **subsection (f) or (e); (g).** However, a taxing unit having an interest in the taxes on the real property shall be credited with the full amount of the delinquent tax due to that unit.

SECTION 11. IC 6-3.1-29 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]:

**Chapter 29. Residential Redevelopment Area Tax Credits for Sales Taxes Paid on Building Materials**

**Sec. 1. The definitions in IC 36-7-17.5 apply to this chapter.**

**Sec. 2. As used in this chapter, "authority" refers to the Indiana housing finance authority.**

**Sec. 3. As used in this chapter, "pass through entity" means:**

- (1) a corporation that is exempt from the adjusted gross income tax under IC 6-3-2-2.8(2);
- (2) a partnership;
- (3) a limited liability company; or
- (4) a limited liability partnership.

**Sec. 4. As used in this chapter, "qualified building materials" means building materials used in the new construction or rehabilitation of a residence located in a qualified residential redevelopment area.**

**Sec. 5. As used in this chapter, "qualified residential redevelopment area" means a residential redevelopment area that is:**

- (1) designated under IC 36-7-17.5; and
- (2) administered under a redevelopment plan approved by the authority under IC 36-7-17.5-11.

**Sec. 6. As used in this chapter, "sales tax" means the Indiana gross retail tax imposed under IC 6-2.5.**

**Sec. 7. As used in this chapter, "state tax liability" means a taxpayer's total tax liability incurred under:**

- (1) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);
- (2) IC 6-5.5 (the financial institutions tax); and
- (3) IC 27-1-18-2 (the insurance premiums tax);

**as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this**

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chapter.

Sec. 8. As used in this chapter, "taxpayer" means an individual or entity that has any state tax liability.

Sec. 9. (a) A taxpayer may claim a credit under this chapter only if the redevelopment plan approved under IC 36-7-17.5-11 includes the credit as an incentive under IC 36-7-17.5-10(d).

(b) A taxpayer that pays sales tax on qualified building materials in a taxable year beginning after December 31, 2005, is entitled to a credit against the taxpayer's state tax liability.

(c) The credit allowed under this section is equal to the amount of the sales tax paid on qualified building materials by the taxpayer during the taxable year.

Sec. 10. (a) If the amount of the credit determined under section 9 of this chapter for a taxpayer in a taxable year exceeds the taxpayer's state tax liability for that taxable year, the taxpayer may carry the excess over for not more than the immediately following five (5) taxable years. The amount of the credit carryover from a taxable year shall be reduced to the extent that the carryover is used by the taxpayer to obtain a credit under this chapter for any subsequent taxable year.

(b) A taxpayer is not entitled to a carryback or refund of any unused credit.

Sec. 11. (a) To receive the credit provided by this chapter, a taxpayer must claim the credit on the taxpayer's state tax return or returns in the manner prescribed by the department. The taxpayer shall submit to the department:

- (1) proof that the taxpayer paid the reported sales taxes on qualified building materials;
- (2) a copy of a certificate issued by the authority evidencing approval of the residential redevelopment plan governing the residential redevelopment area for which the taxpayer's qualified building materials were purchased; and
- (3) all other information that the department determines is necessary for the calculation of the credit provided by this chapter.

(b) The department shall record the location of the residential redevelopment area in which the credit is claimed and grant the credit to the taxpayer if the taxpayer otherwise qualifies for a tax credit under this chapter in the chronological order in which the return is filed in the calendar year.

Sec. 12. If a pass through entity is entitled to a credit under section 9 of this chapter but does not have state tax liability against

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which the tax credit may be applied, a shareholder, partner, or member of the pass through entity is entitled to a tax credit equal to:

- (1) the tax credit determined for the pass through entity for the taxable year; multiplied by
- (2) the percentage of the pass through entity's distributive income to which the shareholder, partner, or member is entitled.

SECTION 12. IC 6-3.1-30 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]:

**Chapter 30. Residential Redevelopment Area Tax Credits for the Purchase of a Primary Residence**

**Sec. 1. The definitions in IC 36-7-17.5 apply to this chapter.**

**Sec. 2. As used in this chapter, "authority" refers to the Indiana housing finance authority.**

**Sec. 3. As used in this chapter, "qualified residence" means a newly constructed or rehabilitated residence that is:**

- (1) located in a qualified residential redevelopment area; and
- (2) used by the taxpayer as the taxpayer's primary residence.

**Sec. 4. As used in this chapter, "qualified residential redevelopment area" means a residential redevelopment area that is:**

- (1) designated under IC 36-7-17.5; and
- (2) administered under a redevelopment plan approved by the authority under IC 36-7-17.5-11.

**Sec. 5. As used in this chapter, "rehabilitated residence" means a structure:**

- (1) that is currently being used for residential purposes; and
- (2) in which depreciable rehabilitation expenditures of at least twenty-five thousand dollars (\$25,000) are incurred.

**Sec. 6. As used in this chapter, "state tax liability" means a taxpayer's total tax liability incurred under IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax) as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.**

**Sec. 7. As used in this chapter, "taxpayer" means:**

- (1) an individual filing a single return; or
- (2) a married couple filing a joint return.

**Sec. 8. (a) A taxpayer may claim a credit under this chapter only if the redevelopment plan approved under IC 36-7-17.5-11 includes the credit as an incentive under IC 36-7-17.5-10(d).**

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(b) A taxpayer who purchases a qualified residence in a taxable year beginning after December 31, 2005, is entitled to a credit against the taxpayer's state tax liability for the taxable year in which the qualified residence is purchased. The amount of the credit allowed under this section is equal to the lesser of:

- (1) ten percent (10%) of the purchase price for the qualified residence; or
- (2) five thousand dollars (\$5,000).

Sec. 9. (a) If the amount of the credit determined under section 8 of this chapter for a taxpayer in a taxable year exceeds the taxpayer's state tax liability for that taxable year, the taxpayer may carry the excess over for not more than the immediately following five (5) taxable years. The amount of the credit carryover from a taxable year shall be reduced to the extent that the carryover is used by the taxpayer to obtain a credit under this chapter for any subsequent taxable year.

(b) A taxpayer is not entitled to a carryback or refund of any unused credit.

Sec. 10. (a) To receive the credit provided by this chapter, a taxpayer must claim the credit on the taxpayer's state tax return or returns in the manner prescribed by the department. The taxpayer shall submit to the department:

- (1) proof of the taxpayer's purchase of a qualified residence;
- (2) a copy of a certificate issued by the authority evidencing approval of the residential redevelopment plan governing the residential redevelopment area for which the taxpayer's qualified building materials were purchased; and
- (3) all other information that the department determines is necessary for the calculation of the credit provided by this chapter.

(b) The department shall record the location of the residential redevelopment area in which the credit is claimed and grant the credit to the taxpayer if the taxpayer otherwise qualifies for a tax credit under this chapter.

SECTION 13. IC 36-7-17-12 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 12. (a) A property for which no one applies in two (2) successive drawings held under this chapter may be sold at public auction to the highest bidder.

(b) The proceeds of the sale of real property acquired under IC 6-1.1-24-6.5 or IC 6-1.1-25-7.5 shall be applied to the cost of the sale, including advertising and appraisal.

(c) If any proceeds remain after payment of the costs under

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subsubsection (b), the proceeds shall be applied to the payment of taxes removed from the tax duplicate under ~~IC 6-1.1-24-6.5(c)~~ **IC 6-1.1-24-6.5(g)** or ~~IC 6-1.1-25-7.5(e)~~ **IC 6-1.1-25-7.5.**

(d) If any proceeds remain after payment of the taxes under subsection (c), the proceeds shall be deposited in the county general fund.

SECTION 14. IC 36-7-17.5 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]:

**Chapter 17.5. Residential Redevelopment Areas**

**Sec. 1. This chapter applies to:**

- (1) a consolidated city; and
- (2) a second class city.

**Sec. 2. As used in this chapter, "affordable housing" means residential property that is affordable for individuals or families earning not more than eighty percent (80%) of the area's median income, as determined by the United States Department of Housing and Urban Development.**

**Sec. 3. As used in this chapter, "authority" refers to the Indiana housing finance authority.**

**Sec. 4. As used in this chapter, "city" means a consolidated city or a second class city.**

**Sec. 5. As used in this chapter, "commission" means:**

- (1) the metropolitan development commission in a consolidated city; or
- (2) a redevelopment commission established by a second class city under IC 36-7-14-3.

**Sec. 6. As used in this chapter, "rehabilitation" means the remodeling, repair, or betterment of real property in any manner or any enlargement or extension of real property in which depreciable rehabilitation expenditures of at least twenty-five thousand dollars (\$25,000) are incurred.**

**Sec. 7. As used in this chapter, "residential redevelopment area" means a geographic area of a city that meets the following criteria:**

- (1) The area is zoned primarily for residential development.
- (2) The area suffers from deteriorated housing stock or environmental contamination.
- (3) The area is unlikely to be developed by the ordinary operation of private enterprise under the normal regulatory scheme without resort to the powers allowed under this chapter.
- (4) The redevelopment of the area would benefit the health,

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welfare, and safety of the residents of the city.

**Sec. 8. (a) A commission may designate a geographic area of the city as a residential redevelopment area if the proposed area was previously developed as a residential or commercial area and the commission finds the following:**

**(1) That at least twenty percent (20%) of the real estate parcels in the area are vacant or contain buildings requiring rehabilitation.**

**(2) That at least fifty percent (50%) of the families and individuals living in the proposed residential redevelopment area earn less than the area's median income, as determined by the United States Department of Housing and Urban Development.**

**(3) That there is a documented need for affordable housing in the city.**

**(b) To designate an area as a residential redevelopment area, the commission must also find at least two (2) of the following:**

**(1) That the rate of residential investment in the area has been minimal in recent years.**

**(2) That the growth rate of the property tax base in the area is less than the growth rate of the property tax base of the city.**

**(3) That there is a significant number of parcels in the area with respect to which there are delinquent property tax bills.**

**(4) That the number of building and safety code citations issued in the area is proportionately greater than the number of citations issued in the remainder of the city.**

**(5) That there is a documented need for environmental or other site remediation in the area, including the existence of old utility lines and underground storage tanks.**

**Sec. 9. (a) To designate a residential redevelopment area, a commission must adopt a plan for the redevelopment of the area. The plan must include the following:**

**(1) A specific description of the geographic area, including street boundaries and other pertinent landmarks.**

**(2) A general description of the types of investment in new or rehabilitated structures and the general location of the structures within the area.**

**(3) A requirement that at least forty percent (40%) of the housing in the area will be leased or sold to individuals earning not more than eighty percent (80%) of the area's median income as determined by the United States**

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Department of Housing and Urban Development.

(4) A list of the incentives specified in section 10(d) of this chapter.

(5) Any restrictions imposed on assessed valuation deductions granted under IC 6-1.1-12.4.

(b) The plan may permit the commission to waive a development requirement specified within a zoning ordinance applying to the area if the commission determines that compliance with the development requirement would impede the redevelopment of the area.

Sec. 10. (a) As used in this section, "qualified building materials" has the meaning set forth in IC 6-3.1-29-4.

(b) As used in this section, "qualified residence" has the meaning set forth in IC 6-3.1-30-3.

(c) As used in this section, "qualified residential redevelopment area" means a residential redevelopment area that:

(1) is designated in the resolution under section 12 of this chapter; and

(2) is administered under a redevelopment plan approved by the authority under section 11 of this chapter.

(d) A commission may include any of the following incentives in the redevelopment plan:

(1) A credit against state tax liability under IC 6-3.1-29 for the sales tax paid on qualified building materials in a qualified residential redevelopment area.

(2) A credit against state tax liability under IC 6-3.1-30 for the purchase of a qualified residence in a qualified residential redevelopment area.

(3) An assessed valuation deduction for the redevelopment or rehabilitation of residential property located in the residential redevelopment area granted under IC 6-1.1-12.4.

(4) An assessed value deduction, as determined by the commission, to limit the increase in the property tax liability on a resident of a residential redevelopment area who meets all of the following criteria:

(A) The resident owns and has continuously lived in a residence within a area designated as a residential redevelopment area for at least five (5) years before the designation of the area.

(B) The resident has income that does not exceed eighty percent (80%) of the area median income, as determined by the United States Department of Housing and Urban

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**Development.**

**(C) The resident is eligible to receive social security benefits under 42 U.S.C. 402, 42 U.S.C. 423, and 42 U.S.C. 1382.**

**(e) The commission may impose either of the following restrictions upon an assessed valuation deduction granted under IC 6-1.1-12.4:**

**(1) A limitation on the dollar amount of the deductions granted in the residential redevelopment area.**

**(2) Any reasonable condition related to the purposes of this chapter.**

**A restriction described in this subsection must be included in a redevelopment plan adopted under section 9 of this chapter.**

**Sec. 11. (a) If a commission wishes to include a tax incentive described in section 10(d) of this chapter in the commission's redevelopment plan for the proposed residential redevelopment area, the commission must send the redevelopment plan to the city's legislative body for approval. The legislative body may adopt a resolution approving the proposed redevelopment plan. Upon obtaining the approval of the legislative body, the commission must send the redevelopment plan to the authority for approval before adopting a declaratory resolution designating the area under section 12 of this chapter.**

**(b) The authority shall review a redevelopment plan received under subsection (a) for compliance with this chapter.**

**(c) Not more than sixty (60) days after receiving the plan, the authority shall issue an order either accepting or rejecting the plan based on whether or not the plan complies with this chapter.**

**(d) An order rejecting the redevelopment plan issued under subsection (c) must include the reasons that the plan does not comply with this chapter.**

**(e) If a redevelopment plan is rejected under this section, the commission may amend the plan and resubmit the plan to the authority. The authority shall review a resubmitted plan and either accept or reject the resubmitted plan not more than thirty (30) days after receiving the resubmitted plan.**

**(f) If the authority accepts a plan under this section, the authority shall certify the plan's compliance with this chapter to the commission. The authority shall send a copy of the certification to the department of state revenue.**

**Sec. 12. To designate a residential redevelopment area, a commission must adopt a declaratory resolution that includes a**

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plan for the redevelopment of the area under section 9 of this chapter.

Sec. 13. (a) The commission shall publish notice of a public hearing on the declaratory resolution to designate a residential redevelopment area in the manner prescribed by IC 5-3-1. The notice must include a copy of the declaratory resolution.

(b) At the hearing required by this section, the commission shall hear oral testimony and accept the written testimony of persons affected by the designation of the area.

Sec. 14. (a) After the hearing on the declaratory resolution, the commission must adopt a resolution that rescinds, amends, or confirms the declaratory resolution.

(b) After the commission adopts a resolution confirming or amending the declaratory resolution, the commission must publish notice of the resolution in accordance with IC 5-3-1.

(c) Not more than ten (10) days after the publication of the resolution under subsection (b), an aggrieved party may appeal the designation of the area by filing a petition with a circuit or superior court in the county where the area is located.

Sec. 15. A commission may exercise the following powers under this chapter:

(1) Apply for state and federal grants to be used for the redevelopment of the area.

(2) Acquire property in the same manner as an agency may acquire property under IC 36-7-17-3.

(3) Transfer property to an eligible entity under IC 6-1.1-24.

(4) Exercise the power of eminent domain within a residential redevelopment area:

(A) in accordance with IC 36-7-14-20 and IC 36-7-14-32.5, for a redevelopment commission; or

(B) in accordance with IC 36-7-15.1-13 and IC 36-7-15.1-22.5, for a metropolitan development commission.

Sec. 16. The maximum number of areas that a commission may designate is:

(1) two (2) in the case of a consolidated city;

(2) two (2) in the case of a second class city in which at least twenty percent (20%) of the households in the city are below the poverty level as established by the most recent United States census; or

(3) one (1) in the case of all other second class cities.

SECTION 15. [EFFECTIVE JULY 1, 2005] (a) Notwithstanding

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1 any other law, IC 6-3.1-29, as added by this act, applies to taxable  
2 years beginning after December 31, 2005.

3 (b) Notwithstanding any other law, IC 6-3.1-30, as added by this  
4 act, applies to taxable years beginning after December 31, 2005.

5 SECTION 16. [EFFECTIVE JULY 1, 2005] IC 6-1.1-12.4, as  
6 added by this act, applies to property tax assessments made after  
7 December 31, 2005, for property taxes first due and payable after  
8 December 31, 2006.

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COMMITTEE REPORT

Mr. Speaker: Your Committee on Local Government, to which was referred House Bill 1718, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

HINKLE, Chair

Committee Vote: yeas 8, nays 0.

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